

Giving Credit to West Virginia's Working Families

Reasons to support a State Earned Income Tax Credit

Many of West Virginia's working families need assistance to pay for their basic needs.

- Even before the most recent recession, one in four working families in the state had insufficient income to cover all of their basic needs, despite their work effort.
- Families in West Virginia have seen their purchasing power shrink as real wages have remained constant and the cost of basic necessities has grown.
- Working families begin to owe state income taxes at a threshold just above the federal poverty line. Of the states with income taxes, 25 have a tax threshold higher than West Virginia for a family of four.
- Families with low to moderate incomes pay a larger portion of their income in taxes (sales, property, income, payroll) than do the highest income families.

Replacing the Family Tax Credit (FTC) with a refundable state Earned Income Tax Credit (EITC) at 10 percent of the federal credit would provide greater benefit to more families.

- An estimated 151,000 families would qualify for a state EITC, nearly twice as many as receive the FTC (76,000 in 2009).
- The majority of families would receive either a refund or a lower tax liability with a state EITC than with the FTC.
- A family qualifying for the federal EITC would also qualify for the state EITC, making this credit less confusing to families and eliminating the need for additional worksheets on the tax forms.

Communities throughout West Virginia would receive an economic boost from a refundable state EITC.

- Low-income families tend to spend tax refunds locally and swiftly. Studies show that this spending likely leads to even more economic activity in the local community through a "multiplier" effect.
- EITC refunds are often spent on everyday purchases (food, fuel, utilities) as well as on rent, home repair, mortgages, or debt. The additional dollars from a state EITC would help families become even more financially secure.

EITC FAST FACTS

2008 Data

153,272

Tax filers who received the federal EITC

\$279,572,221

Federal EITC received in WV

\$246,023,554

Amount of federal EITC received as refunds*

\$1,824

Average federal EITC

\$25,161,500

Estimated state EITC at 10 percent of federal EITC**

\$182

Average state EITC

* Approximately 12 percent of EITC dollars offset families' tax liabilities and are not received as refunds.

(<http://www.brookings.edu/metro/EITC/EITC-Data.aspx>)

** Assuming that participation in the state EITC equals 90 percent of the federal.



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